BC Transit

2006 BC Transit ANNUAL REPORT

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Message from the Chair

The year ending March 2006 was the most successful year in the history of BC Transit in terms of ridership and establishment of new partnerships. More than 40 million passengers were carried, a 6% increase over the previous year. Transit services were extended to a number of small towns and rural communities through "Health Connections", which included a new partnership with one of the province's regional health authorities.

There were budgetary challenges, as global events ignited a mid-year run-up in petroleum costs, and expenditure items such as vehicle parts and the cost of major component overhauls continued to rise at rates well above general inflation.

A number of fleet and other technology initiatives were launched during the year including a very successful introduction of Canada's first production diesel electric hybrid buses in Kelowna and Victoria. A pilot test of a 20% blend of bio-diesel was also concluded during the year and BC Transit continued to advance the efforts to develop a hydrogen fuel cell powered fleet of buses for Whistler.

New technologies were applied to improve operational efficiency. In Victoria, the initial phase of implementation of new dispatching and communication systems for the regional handyDART system was completed. In the Municipal Systems Program, implementation of an enhanced handyDART scheduling and dispatching software package was started in nine locations. This system is expected to increase the number of trips dispatched with the existing handyDART fleet.

BC Transit's program priorities and achievements in 2005/06 link directly to the province's Five Great Goals as announced in last year's Throne Speech. Our partnership arrangements with health authorities, school districts and other educational institutions contribute to the goal of making British Columbia the best-educated jurisdiction, leading North America in healthy living and fitness. Improved accessibility of the BC Transit fleet and joint projects with local government partners and road authorities have improved mobility for seniors and persons with a disability. Our new technology and fuel initiatives reflect our innovative approach in support of a sustainable environment.

BC Transit signed new four-year collective agreements with the three unions representing the various employee groups in Victoria. These agreements were within the bargaining mandate established by government and executed prior to the expiry of the previous contracts.

BC Transit is working with VANOC and the Resort Municipality in developing plans for spectator and volunteer transport in Whistler for the Games, and is coordinating these plans with the other agencies involved in transportation for this event.

BC Transit's 2005/06 Annual Report was prepared under the BC Transit Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2006. All significant decisions, events and identified risks, as of March 31, 2006, have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of our actual performance in relation to our service plan. The measures presented are consistent with BC Transit's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

This report contains estimates and interpretive information that represent the best judgment of management. Any signification limitations in the reliability of data are identified in the report.

Greg Slocombe
Chair

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation's mandate includes planning, funding, marketing, fleet management and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

> "... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

Scope

The 2005/06 scope of BC Transit's program is as follows:

- 50 local government partners, and in Victoria, the Victoria Regional Transit Commission
- 21 private sector operating companies and 13 non-profit organizations contracted to provide service
- over 40 million passengers carried annually
- 1.4 million B.C. residents served with public transit
- 72 transit systems
- fleet of 710 buses, minibuses and vans

Vision

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

> Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.

Mission

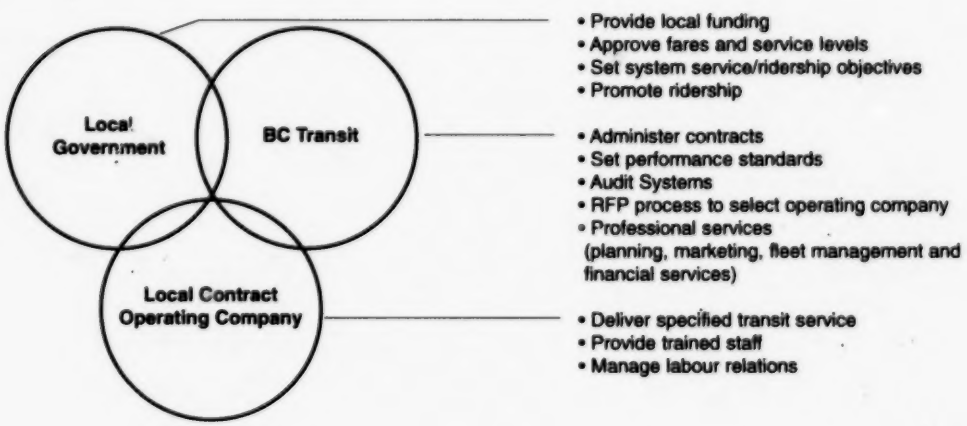
BC Transit's mission statement integrates the Corporation's purpose, products and client base:

> To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.

Working within a framework of provincial/local government/private partnerships, BC Transit benefits from a strong component of local government decision-making and private sector expertise. Victoria is the only location where BC Transit directly operates the conventional transit service. In four locations (Nanaimo, Nelson, Powell River and the Sunshine Coast) the municipality operates the service. Elsewhere, private sector companies or non-profit societies deliver services under contract to BC Transit and the municipal funding partner.

Three types of transit ensure services are tailored to local markets and community needs. **Conventional transit** serves the general population in urban settings using mid-sized, large or double deck buses — mostly fully accessible and low-floor — with fixed routes and fixed schedules. Recent conventional transit innovations have ranged from Community Bus to Bus Rapid Transit. **Custom transit** serves those who cannot use conventional transit because of a disability, using vans and minibuses for dial-a-ride, door-to-door handyDART service, and through contracted Taxi Supplement and Taxi Saver (discounted coupon) programs. In small town, rural and suburban areas **Paratransit** offers flexible routing and schedules for passengers using minibuses, taxis and vans.

BC Transit's Public-Private Partnership


Local Government
BC Transit
Local Contract Operating Company
• Provide local funding
• Approve fares and service levels
• Set system service/ridership objectives
• Promote ridership
• Administer contracts
• Set performance standards
• Audit Systems
• RFP process to select operating company
• Professional services (planning, marketing, fleet management and financial services)
• Deliver specified transit service
• Provide trained staff
• Manage labour relations

Governance and Board Activity

The Corporation is governed by a seven-member Board of Directors appointed by the province according to the BC Transit Act. The Act requires four of the Board members to be municipally elected representatives. The Chair reports to a provincial cabinet minister. Membership on the Board of Directors as of March 31, 2006 is as follows:

Mr. Gregory Slocombe (Chair), President, General Manager and COO of Ridley Terminals Inc., Prince Rupert
Mayor Walter Gray, City of Kelowna (to December 2005)
Mayor Colin Kinsley, City of Prince George
Mr. Bob De Clark, Human Resources Consultant, Nanaimo
Mayor Christopher Causton, District of Oak Bay
Mayor Don Amos, Town of Sidney
Mr. Kelly Cairns, Lawyer, Kelowna (appointed March 2006)
Mayor Terry Lake, City of Kamloops (appointed March 2006)

BC Transit's governance structure reflects its core values: a strong commitment to partnerships with local government and service providers; transparent local decision-making on transit matters in open sessions at regional districts, municipalities and the Victoria Regional Transit Commission; utilization of sound financial management and reporting practices, and competitive and responsible purchasing practices. A description of BC Transit's corporate governance practices are available at:
http://www.bctransit.com/corporate/general_info/governance.cfm

The Audit Committee is the only standing committee of the Board, and meets either as a Committee of the Whole or as full Board in regular session.

The Board of Directors was very active during the year in support of advancing the transit program and overseeing the services provided by BC Transit. The Board and staff were pleased to recognize the commitment and support provided by Walter Gray, who stepped down from the Board last December. As the former Mayor of the City of Kelowna and a member of the Board for over seven years, Walter was a strong advocate of the transit program. He provided a breadth of perspective and insight that was an essential element of the success enjoyed by the Corporation during his tenure. Walter will be missed. The Board welcomed two new members in March 2006, Mayor Terry Lake of Kamloops, and Mr. Kelly Cairns of Kelowna.

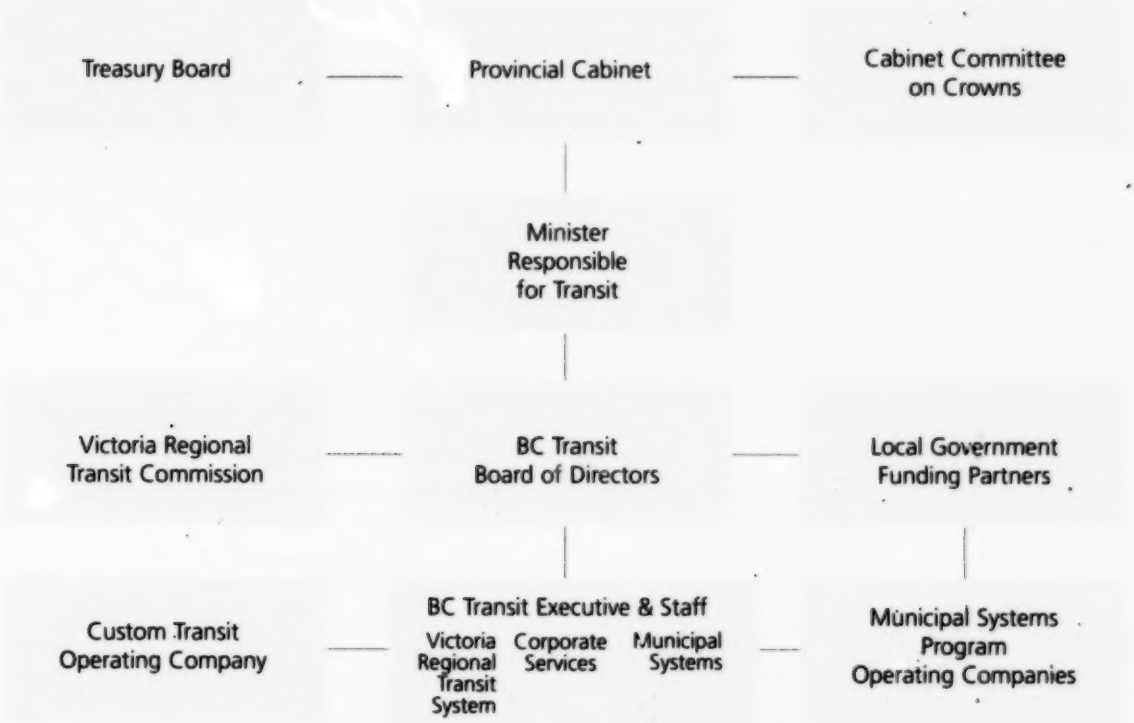
The Board continued to meet with local government partners and operating contractors, and to visit facilities throughout B.C. In the summer of 2005, the Board visited Kamloops, the Cariboo Region, including 100 Mile House, Williams Lake and Quesnel, and Prince George. Meetings were held with mayors and councils,

regional district representatives and operating company staff. The Board process of consultation with local government partners also included a very well attended transit forum at the UBCM annual convention in September. More than 60 local government representatives and other stakeholders attended the presentation by BC Transit Board members and senior staff, and lively discussion of transit trends and challenges ensued in this very informative session.

Late in the fiscal year, the Minister of Transportation announced the commencement of a funding and governance review of BC Transit and the provincial transit program with the issuance of an RFP to select a consulting firm to conduct the first phase. The Board provided some perspectives on the study plan and principles and will work to support the Minister and his staff as the review proceeds. The Minister has advised that consultation with the local government partners and other stakeholders will occur in the next fiscal year.

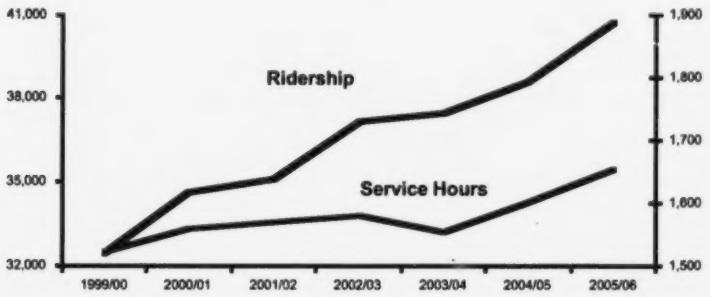
In anticipation of this review, and the potential for new governance options to be considered, and with the retirement of Bob Irwin, BC Transit President and CEO, the Board put in place an interim executive team arrangement, appointing Ron Drolet and Steve New as Senior Vice Presidents to co-lead the executive team and manage program and service delivery until decisions arising from this process are finalized.

BC Transit Governance Structure



Record Ridership

- Last year ridership on BC Transit's systems once again reached record highs. A total of 40.7 million passengers were carried on the Victoria Regional Transit System and Municipal Systems Program's conventional, custom and paratransit services. This represents an increase of 6% compared to the previous year. In a period of rapidly escalating fuel prices and a strong economy, the marketing, service and tariff programs of BC Transit and its partners helped attract growing numbers of new riders to transit. A total of 1.65 million service hours were delivered, a 3% increase over the previous year.



- Ridership growth also reflected BC Transit's continuing emphasis on improving efficiency, while at the same time meeting market needs and responding to opportunities. For example, in the Municipal Systems Program, service improvements in 2005/06 included a restructuring of the Kelowna transit schedule to accommodate increases in passenger volumes and improved service quality; re-instatement of the Sea to Sky Transit System to meet winter demand in the Whistler-Squamish corridor; and steps towards implementation of a new regional connector linking Kitimat and Terrace.

- In the Victoria Regional Transit System, service changes focused on Saanich Peninsula network revisions, where the introduction of Community Bus meant more service could be provided with the available budget. As well, detailed trip-by-trip reviews of performance and cost per ride were carried out for every route in the System, permitting the fine-tuning of schedules and supporting ridership growth. More double-deck buses added capacity to high demand urban routes.

Meeting Costs and Funding Challenges

- Unprecedented increases in world oil prices over the last year drove up costs $5.9 million. BC Transit's strategic procurement practices, which include hedging of bulk fuel purchases, succeeded in reducing diesel costs by $530,000 last year compared to the posted bulk rates available to large commercial customers.

- In 2005/06 the provincial government increased the base operating grant by $2.27 million and provided $1.7 million in supplemental fuel funding.

- Beginning in 2003/04 the province made a flex-funding option available to local governments choosing to increase their financial contribution in order to enhance services. In 2005/06 a total of 20 local government partners opted to enter into flex-funding agreements with a total value of $2.62 million, adding 58,000 additional service hours on an annual basis.

- BC Transit's and local governments' $12.2 million share of the federal government's New Deal for Cities and Communities - Public Transit Agreement, was announced prior to year-end. It will provide funding for transit capital improvements and infrastructure and was signed by the Government of Canada, the Province of B.C. and the Union of British Columbia Municipalities. The province has deemed BC Transit eligible to receive funds under this program on behalf of the local transit partners. Funding will begin in 2006/07. There is also potential for additional funding for transit from the core New Deal Agreement.

Innovative Partnerships

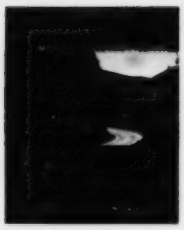
- BC Transit continues to actively develop community partnerships to promote or fund new or improved services. In the year under review, BC Transit and the local government partners successfully approached regional health authorities to develop and implement integrated public transit and non-emergency medical transportation services for small towns and rural areas. Under the new program - Health Connections - rural residents are provided with access to physician-referred, non-emergency medical care in regional centres. With $500,000 in annual Interior Health Authority funding, seven new or expanded transit services in the Okanagan and Kootenays were implemented in 2005/06. This innovative model has been recognized by the national transit industry. More services of this type are scheduled for implementation in 2006.

- A unique pilot project, in conjunction with the developer of a Victoria area condominium complex, came into effect in January 2006. In exchange for giving residents free bus passes and memberships in a car-sharing co-op, the District of Saanich allowed the developer to provide fewer parking spaces than normally required. The EcoPass provides unlimited travel for the passholder on all Victoria Regional Transit System services. BC Transit monitors pass usage and post-bills the developer a per trip rate based on the adult ticket fare. Three similar projects are in the development process.

- A new Employee Bus Pass program at the University of Victoria has significantly reduced the number of staff driving to work. In the first seven months of operation, more than 2,200 monthly passes – priced at a discount of 40% less than the regular monthly passes - were sold. Three-quarters of the discount is provided by the University. Although pass-holders are not entitled to purchase regular annual parking permits, they are eligible to buy a special flexible parking permit. This combination of a reduced rate monthly bus pass, and a flexible parking pass, has proven to be a popular and effective TDM strategy with employees.

New Fleet and Fuel Technologies

- Canada's three first production-line hybrid electric buses began revenue service in Kelowna on May 5, 2005, with an additional three vehicles starting service in the Victoria Regional Transit System soon after. BC Transit purchased the buses from New Flyer of Winnipeg, and has been collecting and analyzing cost and other performance data for the new vehicles. Early results suggest a significant improvement in fuel consumption.



- In November 2005 BC Transit published a report entitled "Path to Purchase: Moving to Fuel Cell Bus Fleets". This analysis confirmed the viability of a project to deploy a fleet of 20 hybrid fuel cell powered buses in full revenue service to the Resort Municipality of Whistler in time for the 2010 Winter Olympic and Paralympic Games. Financial assistance for the study was provided by the Canadian Transportation Fuel Cell Alliance of the Department of Natural Resources Canada and BC's Ministry of Energy Mines and Petroleum Resources. Work is underway to secure funding for this fuel cell bus project.

- In June 2005, BC Transit concluded a six-month pilot test of B20 biodiesel fuel (20% refined soya oil, 80% diesel) on six buses in Victoria. The Vancouver Island Biodiesel Evaluation Study - Canada's largest cross-sector biodiesel study to date was developed by the City of Victoria, in partnership with WISE Energy and several others. The purpose was to assess biodiesel fuel in a number of local fleet applications. The test showed that BC Transit buses performed well, and there were no noticeable differences in the appearance of emissions, but there was a 4% decline in fuel economy. The test concluded the greatest barriers to adoption of biodiesel at this time are price and availability of product meeting engine manufacturer's specifications.

Safety and Efficiency

- In the calendar year 2005 BC Transit Victoria recorded its best-ever safety statistics, with a level of only 3.3 preventable accidents per million kilometers travelled. During the fall and winter of 2005/2006 BC Transit's trainers conducted on-board, revenue service ride-checks with every operator. The trainers reinforced Smart Driver braking, acceleration and turning techniques, as well as hazard anticipation skills in varied traffic conditions. Since the initiation of the first phase of the Smart Driver training program in 2003/04 BC Transit has achieved a 27% reduction in preventable accidents.

- With funding support from Transport Canada, BC Transit began implementing new technology in the Victoria Regional Custom Transit System to improve handyDART services. Designed to increase pickup and dispatch efficiency, the software also provides customers with real-time trip confirmation. Purchased from StrataGen Systems Inc., the new system includes mobile data computers, automatic vehicle location and an interactive voice response component for trip reservations. This is the first application of this type of technology in Canada. With final testing of all components scheduled for early 2006/07, BC Transit will be closely evaluating results. A bus locator system designed to improve maintenance productivity was also implemented in Victoria, and the final steps to commission a new depot management system were underway at year-end.

- BC Transit also began implementing new scheduling and dispatching software in the nine largest custom transit systems of the Municipal Systems Program. The software, NOVUS, replaces two other products used by operating companies to register clients, book and schedule trips, assign trips to vehicles and produce management reports. It also adds new features including automated scheduling. NOVUS will assist operating companies to schedule more trips for persons with a disability using the same amount of service and fleet.

Goals, Targets & Results

The following pages summarize the results achieved in 2005/06 compared to targets established in BC Transit's 2005/06 – 2007/08 Service Plan Update (September 2005).

In the year under review most major targets in key areas including safety, service productivity and efficiency, cost control, technology innovation and funding were met or exceeded.

In the Victoria Regional Transit System, ridership on the conventional system rose by 7% to a level of 21.1 million. Ridership increased faster than service hours, which grew by 4%. The slight increase in service was made possible by more extensive use of lower-cost Community Bus services in suburban areas of the region.

In the Municipal Systems Program, ridership rose by 3% to 17.9 million, and service levels grew by 3% with the help of flex-funding contributions from local government partners. While ridership jumped by more than 10% in several communities, this increase was offset by ridership losses in a few markets, most notably in Whistler as a result of a decline in visitor travel.

Results are presented according to strategies and targets defined for each of the Corporation's three goals in the 2005-2008 Service Plan Update – service delivery, community development, and funding and governance.

Goal 1 - Service Delivery

Maximize the efficient and cost-effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

1. OBJECTIVE: Deliver core services

Strategy A. Use enhanced data analysis to reallocate service from lower demand periods to areas of higher demand

Targets: Continuous improvement in average rides/hour program-wide for conventional transit services — at least 1.5% per annum in Victoria; 2% per annum in the Municipal Systems

Result: Victoria, 2005/06 - 36.05 conventional rides/hour; a 3.0% increase
Municipal Systems, 2005/06 - 25.1 conventional rides/hour; unchanged

Maintain industry-leader high productivity level in custom transit services

Result: Victoria, custom 3.3 rides/hour in 2005/06; unchanged
Municipal Systems, custom/paratransit rides/hour - 4.9; a 5.8% increase

Strategy B. Optimize the fit between passenger demand in specific markets and the vehicle used to deliver service

Target: Increasing average vehicle load factor each year through targeted use of high capacity bus and community shuttle vehicles and services

Result Victoria - Community Bus in the first full year averaged 11.5 boardings per trip, resulting in a 58% utilization of vehicle rated passenger capacity; conventional transit averaged 40 boardings per trip, a 57% capacity utilization.

Municipal Systems - Community Bus implemented in Kelowna in February 2006; performance monitoring underway at year-end.

2. OBJECTIVE: Improve resource utilization, cost containment, revenue maximization and work force productivity

Strategy A. Undertake further strategic purchasing initiatives to maximize volume discounts for products used province-wide, including negotiation of long-term fuel contracts and external agent joint purchasing agreements

Target: Successfully source Original Equipment Manufacturers (OEM) providers and others to increase "e-commerce" purchasing by 10% each year

Result Savings and productivity gains through e-commerce initiatives are continuing to be pursued. BC Transit has been approved as a Beta site with New Flyer Industries for an e-commerce procurement system. This project will move forward within the next year.

Strategy B. **Improve life-cycle maintenance and cost tracking**

Targets: In Victoria, through improved maintenance job control system, 75% of maintenance work to be comprised of "planned" work in Year 1; with 5% improvement in this rate annually in Years 2 and 3

Result BC Transit is continuing to increase its planning efforts on all maintenance work (65%). The introduction of new types of vehicles into the fleet has resulted in added complexity. Additional staff and the reallocation of non-revenue vehicles to fleet engineering will result in increased planned work in future years.

In Municipal Systems Program, through e-billing reports from contract operators, 70% of work to be tracked against specific bus and vehicle components in Year 1; with 5% improvement annually in Years 2 and 3

Result: All maintenance data submitted through e-billing is tracked by bus number and vehicle component. Over 90% of the Municipal Systems operating companies (all Conventional) submit their work orders via e-billing.

Strategy C. **Focus on information technology investments to enhance cost control and decision-making**

Targets: Complete implementation of all major enterprise systems in Year 1, including dispatch management system, and fuel and inventory management systems in Year 1 in Victoria

Result Depot management system was implemented by March 31, 2006; testing and final training targeted for May 31, 2006 to conclude project.

Subject to successful outcome of business case analysis, implement new financial planning and forecasting tools in Year 1

Result The successful candidate from an Invitation to Quote will conduct a business process review, recommend a financial planning solution, and implement the financial planning and forecast solution in Year 2 (2006/07).

Strategy D. **Pursue RFP (request for proposals) process refinements to reduce costs**

Target: Develop incentive provisions for inclusion in future operating contracts starting in Year 1

Result Negotiations successful with four of eight operating companies scheduled for RFP in 2005/06, offering two-year contract continuity in exchange for favourable costs. Additional provisions are under development.

Strategy E. **Increase revenue from advertising, leases, and other non-core areas of service provision**

Target: Increase non-operating income by 10% each year

Result Sufficient revenues have been generated from property disposals and advertising to meet target.

Strategy F. **Reduce fuel consumption by extending the Smart Driver and Fuel Sense Programs to targeted Municipal Systems**

Target: Complete training, monitoring and reinforcement for the program in Victoria.

Result Victoria completed phase two by conducting revenue-service ride checks with all operators, reinforcing Smart Driver techniques learned in Year 1. Follow up training cycle concluded in Victoria for all vehicle operators. Evaluation of fuel savings is on-going.

For Tier 1, Municipal Systems Program, by end Year 1; extend to other targeted Tier 2 systems in Year 2

Result The initial "Train the Trainer" sessions are concluded. The program will be extended to operating companies' front line staff for Tier 1 systems over the next year as local contractor training schedules and resources permit.

Strategy G. **Conduct a high level Enterprise Risk Management assessment on a joint basis with TransLink**

Target: Complete the assessment, identify high level corporate risks and remedial actions in Year 1, and incorporate in future Service Plans

Result In progress. As the majority partner in the Captive Insurance Company, TransLink has responsibility for conducting this assessment. TransLink has deferred this project due to other priorities.

Strategy H. **Expand shared services with school districts**

Targets: Promote the shared services concept through BC Transit Board consultation with the Union of B.C. Municipalities (UBCM) and B.C. School Trustees Association Working Group

Result Deferred by UBCM in 2005/06

Implement or enhance partnership agreements with at least two School Districts in Year 1

Result Municipal Systems - Route and schedule adjustments to serve secondary students were made in eight transit systems; tariff for students was enhanced in one other community; and a new "Clean Air Heroes" program was implemented which educates Grade 5 students about air quality and ways to

improve it, including taking public transit. Secondary student ridership grew by 8%in 2005/06 from 2004/05 and represents 34% of total ridership (up from 33% the previous year).

Strategy I. **Address the challenges of an aging workforce through apprentice program review, enhanced workplace wellness and return-to-work programs**

Target: In Victoria, review initial response to "Route to Health Program" in Year 1, and conclude Apprentice Program review in Year 1.

Result The Route to Health Committee used questionnaires to develop monthly health promotional campaigns. The Apprenticeship Program review resulted in a comprehensive apprenticeship manual and negotiation of a federal wage subsidy agreement for apprentices attending school. The number of apprentices is being increased to four to meet growing fleet maintenance requirements.

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3. OBJECTIVE: **Improve transit safety for passengers and transit workers, and reduce the costs of accidents**

Strategy A. **Reduce workplace and customer accidents through ongoing training and improved performance feedback**

Targets: Continuous reduction in WCB claims in each year of the plan.
(BC Transit - Victoria)

Result WCB Wage Loss Claims/100 person years of work improved with a reduction to 5.04 from 6.94
WCB Medical Aid Claims/100 person years of work improved with a reduction to 0.65 from 1.48

Preventable accidents reduced by 5% below 2003/04 actuals by Year 1
(BC Transit - Victoria)

Result Preventable Vehicle Accidents/1 Million Kilometers declined to 3.30 from 4.22
Preventable Passenger Injuries/1 Million Kilometers declined to 0 from 1.0

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4. OBJECTIVE: **Implement high priority service improvements**

Strategy A. **Pursue funding through new community partnerships with third parties to extend services to areas not presently served, including priority small town and rural areas**

Target: Implement eight new community partnerships and increase value of these partnerships by 50% to a level of $750,000 by Year 3

Result Seven community transit partnership agreements implemented with the IHA in 2005/06, total contribution of $500,000 annually. UVIC bus pass employee subsidy program launched.

Strategy B. **Develop a fleet and operational plan for public transportation within Whistler and nearby areas for 2010 Winter Olympics**

Target: Develop a Memorandum of Understanding with the Vancouver Olympic Organizing Committee in Year 1; complete this plan by Year 3

Result Guiding principles for the MOU approved by the Board of Directors; letter of intent from VANOC to enter into a contract with BC Transit; draft MOU prepared and discussions in progress at year end.

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5. OBJECTIVE: **Identify and target services to new and growing markets**

Strategy A. **Develop new service and tariff strategies to aggressively develop increased post-secondary market share**

Target: In the Municipal Systems develop one new U-Pass program each year

Result Student referenda scheduled in Cranbrook (College of the Rockies) and under development in Kelowna (UBC–Okanagan).

Strategy B. **Develop and propose more flexible tariff products, fare media and post-trip billing systems in concert with local government priorities and approval**

Targets: In the Municipal Systems put agreements in place with at least two major employers in Year 1 and build equivalent or greater number of new agreements in following two years

Result Work in progress at year end with a national transit committee to offer federal employees in BC and across Canada, an employee bus pass program.

In the VRTS develop and implement a post-billing transit pass program for provincial employees in Year 1, and for all federal employees in Greater Victoria by Year 2

Result The post-use billing product and software have been developed and placed in service in Year 1 for a residential development with a number of others in final negotiations at year-end. Payroll software modifications by the provincial government's payroll services provider will permit implementation of the program to select ministry staff in Victoria in Year 2 (2006/07).
Federal employees tied to national initiative noted above.

Strategy C. **Develop strategies to link to government healthcare policies**

Targets: Establish a working relationship with regional health authorities and other health care providers to ensure improved linkages to health care in all regions, particularly with respect to assessing transportation requirements for major new capital investments in health facilities

In Year 1, develop and launch a specific model for the above type of program with one health authority; expand in subsequent years.

Result The newly established partnership model delivers non-emergency medical transportation by expanding existing transit services and implementing new small town and rural transit systems, funded by Health Connections, one of five regional health authorities in BC (IHA) in place in 2005/06. Service involving a second regional health authority (NHA) proceeding at year-end.

Strategy D. Develop strategies to link to provincial government job access priorities

Targets: Support established Transportation Demand Management (TDM) agencies to establish transit element of Journey to Work Programs; execute at least one strategy in Year 1 in Tier 1 Municipal Systems; expand in subsequent years

Result Provided marketing and implementation support to UVic's Employee and Student TDM program. Marketing services are being provided in Kelowna and Whistler to support local TDM employee transit programs.

Build public transit considerations into transportation planning processes for all new major employment facilities with more than 200 employees

Result Hosted a one-day TDM workshop in Victoria as part of a series across Canada to inform decision makers on benefits of TDM and transit considerations. Attendance included more than 60 major employers, public agencies and transportation service providers.

Goal 2 - Community Development

Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment

1. OBJECTIVE: Identify and adopt new technologies to enhance customer service, environmental quality and transit's community benefits

Strategy A. Introduce and evaluate hybrid diesel-electric bridging technology

Target: By May 2005 acquire six hybrid diesel-electric assembly line-produced vehicles, and begin an initial evaluation and reporting

Result Hybrid buses entered revenue service in July/August of 2005. Initial evaluation to be completed in 2006.

Strategy B. Conduct a pilot test project using biodiesel fuels in Victoria.

Target: Begin testing six transit buses fueled with biodiesel (beginning December 2004); report test results mid Year 1

Result Six-month test of 20% bio-diesel blend concluded in June 2005. Buses per formed well, but a slight drop (4%) in fuel economy was experienced.

Strategy C. Commence work on an "early adoptor" program that would see BC Transit acquire and place hydrogen fuel cell buses in regular service in Victoria and Whistler

Target: Federal funding for preliminary business case study is anticipated; study to be competed in Year 1, with introduction target in Year 3

Result Feasibility study published November 2005 on process and budget required to place a fleet of transit vehicles into regular revenue service by 2009. Discussions with the federal government on cost-sharing in progress at year-end.

Strategy D. Introduce real-time customer information for handyDART pick-up and dispatch

Target: Implement in Victoria in Year 1; prepare evaluation report; and if successful extend in Year 2 to at least two Tier 1 Municipal Systems

Result: New systems and communication equipment implemented in last quarter of 2005 – evaluation and training underway at year end. Project completion targeted for late spring 2006.

Strategy E. Through the "Smart Travel" initiative in Greater Victoria and the six largest municipal systems, implement real-time bus information for customers at bus stops, by telephone and on websites; also introduce (or in the case of Victoria refine) electronic fare payment technology

Target: Launch program in Year 1

Result: Capital project plan outline prepared and included in the Long Term Capital Plan (LTCP) for 2005/09

2. OBJECTIVE: Support regional growth strategies, community planning initiatives and municipal empowerment

Strategy A. Deliver transit planning programs that support community priorities and local transportation demand management initiatives

Target: Major studies: Kamloops Transit Business Plan in Year 1; in Years 2 and 3, update other system plans based on the normal three to five year planning cycle

Result: Draft Kamloops and Sunshine Coast Business Plans completed

Strategy B. Broaden environmental education, public transit education and climate change efforts through partnerships with all levels of government, and with non-governmental organizations

Targets: Subject to funding, incorporate two more communities in Clean Air Day partnerships in Year 1; subsequent two years extend to all Tier 1 and 2 Municipal Systems

Result: Eight more communities participated in Clean Air Day partnerships in Year 1; for a total of 21 communities

Extend and enhance public awareness around Environment Canada's "One Tonne Challenge" program, and support municipal partners applying for program funding

Result: Extended reach of Abbotsford and Kelowna's One Tonne Challenge campaign through further partnerships between transit systems and community. No federal funding available for the year.

Continue involvement in the Canadian Urban Transit Association's (CUTA) "Visibility, Image and Positioning" (VIP) program until completion of program review by CUTA end of Year 1

Result: Participated in National Steering Committee and supported transition of VIP to an ongoing CUTA communications / advocacy initiative on behalf of the national transit industry.

Support launch of the Community Energy Association's plan for the Capital Regional District in Year 1; look for opportunities to extend community energy planning process to Municipal Systems Tier 1 communities in Years 2 and 3

Result: Website launched March 2006, energy consumption inventory for CRD prepared; and looking at community outreach/education options.

Goal 3 - Funding and Governance

Establish a new and sustainable funding and governance framework.

1. OBJECTIVE: Support the provincial government in defining sustainable new funding arrangements, and an accompanying governance framework

Strategy A. **Work with the Minister Responsible for BC Transit to define the role of the BC Transit Board of Directors with regard to local government consultation about new funding and governance arrangements**

Target: Develop the transit funding and governance consultation process for local government in Year 1

Result: Minister of Transportation announced commencement of review in last quarter. A steering committee appointed by the Minister and consultant engaged in March 2006. BC Transit Board and senior staff provided input to steering committee and consultant.

Strategy B. **Pursue new funding and operational efficiencies to offset anticipated cost increases, in order to maintain current services through the term of the Plan.**

Target: Secure new funding and develop operational efficiencies totaling $1.4 million in Year 1, $2.5 million in Year 2 and $3.0 million in Year 3 to offset funding shortfalls and deliver planned Year 1 services, and maintain this service level in Years 2 and 3.

Result: Secured $1.7 million in additional funding from the Province for Year 1 (2005/06). In addition $1.0 million in provincial funding was secured for each of Year 2 (2006/07) and Year 3 (2007/08). The identification of new funding sources and operational efficiencies was ongoing at year-end.

Strategy C. **Work with local government partners and the UBCM in defining implementation mechanisms for the federal government's "New Deal for Cities and Communities"**

Target: In Year 1, ensure that BC Transit's Board works with UBCM to develop mechanisms for incorporating transit funding into the "New Deal"

Result: New Deal Urban Transit Agreement in place at year-end. Program allocation process being developed by UBCM/provincial government

Strategy D. **Assist communities in pursuing funding from other federal government programs, including infrastructure funds**

Target: Assist local governments in the development and submission of two major funding applications annually

Result: In Victoria, next phase of transit priority strategy funding applications are being developed with the City of Victoria, District of Saanich and the CRD

Strategy E. **Coordinate advocacy efforts with the Canadian Urban Transit Association (CUTA), Federation of Canadian Municipalities (FCM) and others, and work with partners to introduce measures supporting public transportation**

Target: Develop an activity plan with CUTA, the Federation of Canadian Municipalities (FCM) and others to advocate for tax-exempt employer-provided transit benefits

Result: BC Transit Board and Executive representatives are working with CUTA in support of a 16% federal government tax credit proposal, and proposals to extend the Public Transit Agreement to a maximum of five years (alignment with New Deal for Cities and Communities).

Performance Summary Tables

Corporate Performance

This section includes a discussion of key performance measures and targets by program area (Victoria Regional Transit System and the Municipal Systems Program). The results are compared to the 2005/06 Service Plan update published in September 2005. For a summary of total corporate service and ridership results, see Table 5 in the Financial Report section.

The industry-wide standard indicators and performance measures used in BC Transit's Annual Report to measure the achievement of strategic goals are those universally adopted by the North American transit industry. For a full explanation of statistics and performance measures used in this section, see Glossary-Appendix 2. Performance of BC Transit's systems is also benchmarked against comparable Canadian transit systems using the most recently available data from the Canadian Urban Transit Association (CUTA) for 2004. CUTA's information is collected using an industry-standard reporting protocol and common definitions. The same information is used by Statistics Canada for its Standard Industrial Classification reports. Ridership estimates are based on statistically valid counting methodologies. Actual financial results are audited and prepared in accordance with generally accepted accounting principles.

Victoria Regional Transit System

Overall, transit service in the Victoria Regional Transit System exceeded the planned service level by 3,000 hours. Ridership targets were exceeded in the conventional transit system. The custom transit system operated at budgeted levels and at capacity throughout the year.

Victoria Conventional Transit

Conventional transit in the Victoria region carried 21.1 million passengers in 2005/06, above target and 7% higher than the prior year. This ridership growth was driven by high demand on routes serving educational institutions and in major commuter corridors. Service delivered was 2,000 hours above budget and 24,000 hours (4%) above the prior year's actual. This increase in service level was made possible through more extensive use of lower-cost Community Bus services in less densely populated, suburban areas of the region.

Table 1 below presents performance for the Victoria Regional Conventional Transit program for the year under review compared to prior years and the 2005/06 Service Plan using standard service effectiveness and cost efficiency measures.

Table 1

Victoria Conventional Transit	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target	2006/07 Target	2007/08 Target
SERVICE EFFECTIVENESS						
Service hours (000s)	559	560	**584**	582	582	582
Revenue passengers (000s)	19,350	19,613	**21,055**	19,670	19,971	20,179
Revenue passengers per service hour	34.6	35.0	**36.0**	33.8	34.3	34.7
Rides / Capita	58.6	58.6	62.4	58.3	58.6	58.7
COST EFFICIENCY						
Operating cost recovery (psgr revenue)	50.1%	53.2%	**52.6%**	52.4%	51.8%	52.6%
Operating cost per service hour	$80.37	$82.44	**$84.12**	$84.62	$86.95	$86.34
Operating cost per revenue passenger	$2.32	$2.36	**$2.33**	$2.50	$2.53	$2.49

Total operating cost recovery was 52.6%, slightly above target and below the prior year by 1%. This was the result of passenger growth at rates exceeding the additional service hours provided, with the added passenger revenue partially offset by higher costs of fuel.

Productivity, measured as passengers per service hour, exceeded budget by 7% and reached a new high for the preceding decade, reflecting ridership increasing at a faster rate than service hours. The operating cost per passenger was 7% favourable to target and 1% below the prior year, despite year-over-year fuel cost increases. The operating cost per hour was $84.12 per hour, slightly favourable to budget. This was primarily a result of operating efficiencies from Community Bus service, and fixed costs averaged over higher service hours.

Victoria Regional Custom Transit

The Victoria Regional handyDART service carried a total of 297,000 passengers, and provided a further 74,000 rides by taxi, for a total of 371,000 custom transit passengers. Total ridership was 1% above the prior year and 4% below target. Operating at capacity levels, the growth in custom program ridership is largely attributable to demographic factors associated with a large seniors population and an increasing demand for client access to community services, jobs and post secondary training and education.
Table 2 presents performance for the Victoria Regional Custom Transit program for the year under review compared to prior years and the 2005/06 Service Plan.

Table 2

Victoria Custom Transit	2003/04 Actual	2004/05 Actual	**2005/06 Actual**	2005/06 Target	2006/07 Target	2007/08 Target
SERVICE EFFECTIVENESS						
Service hours (000s)	101	108	**111**	110	110	110
Revenue passengers (000s)	353	368	**371**	387	391	394
handyDART passengers (000s)	285	293	**297**	306	308	308
handyDART passengers per service hour	2.8	2.7	**2.7**	2.8	2.8	2.8
COST EFFICIENCY						
Operating cost recovery (van only)	6.9%	7.2%	**6.8%**	6.6%	6.5%	6.3%
Operating cost per service hour (van only)	$46.19	$46.07	**$47.69**	$47.91	$49.40	$50.59
Operating cost per revenue passenger	$14.02	$13.40	**$14.99**	$14.73	$15.03	$15.29

Service hours delivered were 1% above budget and 3% above the prior year. Excluding the custom transit passengers who utilize the Taxi Saver program, the handyDART van rides productivity rate of 2.7 passengers per hour was slightly below target. The operating cost per passenger, also excluding the Taxi Saver program, was above target by 2% as a result of lower than budgeted ridership.

Municipal Systems Program

Overall, there was a 3% increase in service delivered compared to the previous year, for a total of 960,000 service hours in the conventional, custom and paratransit programs combined. Local partners flex-funded service enhancements, and ridership targets were exceeded throughout the Municipal Systems Program.

Municipal Systems Program Conventional Transit

The 24 conventional transit systems carried 17.9 million passengers, exceeding the Service Plan forecast by 3%, and up 3% (569,000 passengers) compared to the prior year. All three tiers (see Appendix A3) experienced growth in ridership.

Table 3 presents performance for the Municipal Systems Conventional Transit program for the year under review compared to prior years and the 2005/06 Service Plan.

Table 3

Municipal Systems Conventional Transit	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target	2006/07 Target	2007/08 Target
SERVICE EFFECTIVENESS						
Service hours (000s)	662	692	713	700	700	700
Revenue passengers (000s)	16,534	17,347	17,916	17,342	17,823	18,312
Revenue passengers per service hour	25.0	25.1	25.1	24.8	25.4	26.1
Rides / Capita	20.1	20.8	21.2	20.8	21.2	21.5
COST EFFICIENCY						
Operating cost recovery	37.8%	37.8%	36.9%	36.0%	36.1%	36.5%
Operating cost per service hour	$67.29	$68.96	$72.26	$71.51	$73.32	$74.34
Operating cost per revenue passenger	$2.69	$2.75	$2.87	$2.89	$2.88	$2.84

New or re-allocated services were targeted at key market groups including the following:

- Kamloops up 227,000 passengers (9%), due mostly to the continued success of U-Pass.
- Central Fraser Valley up 165,000 passengers (13%), as commuters and students continue to respond to service changes implemented in September 2004.
- Prince George up 163,000 passengers (18%) as a result of service improvements targeted at post-secondary students and other key markets.
- Campbell River, Comox Valley, Cowichan Valley, Cranbrook and Port Alberni all recorded double-digit increases in ridership (totaling 166,000 more passengers) on expanded or re-designed services.

These increases were offset by ridership losses in some communities - most notably in Whistler - where ridership fell by 13% (381,000) due to a reduced volume of visitors in 2005/06. In total, 712,500 conventional service hours were delivered. This was 2.0% above the service plan target and up 3% from the prior year due to service expansions. The most substantial service increases were in Central Fraser Valley, Comox Valley, Kamloops, Kelowna Regional, Nanaimo Regional and the Sea to Sky commuter service pilot project.

Average ridership performance in 2005/06 was 25.1 passengers per service hour, which exceeded the target by 1.2% but which remained unchanged from the passengers/hour performance of 2004/05. The average operating cost per hour was $72.26, exceeding the target by 1% due primarily to fleet maintenance costs. The operating cost per passenger was $2.87, favourable to target by 0.7%. Operating cost recovery was 36.9%, slightly above the target of 36.0%.

Municipal Systems Program Custom and Paratransit

The Municipal Systems Program custom and paratransit services carried 1.37 million passengers in 2005/06, above target by 4.5% and up 7.3% from the prior year. All the growth was in van and Taxi Saver passengers, with the number of taxi supplement passengers showing a slight decline from the prior year due to changes in Kitimat. Of the 14 custom transit systems, Central Fraser Valley, Kelowna Regional and Nanaimo Regional accounted for almost all of the year-over-year increase in passengers. Among the thirty-one paratransit systems, thirteen posted double-digit increases in ridership (Agassiz-Harrison, Castlegar Regional, Clearwater, Comox Valley, Fort St. John, Nelson-Slocan Valley, North Okanagan, Okanagan Similkameen, 100 Mile House, Osoyoos, Port Edward, Quesnel, and Shuswap). These increases were offset by declines in other areas, most notably Nelson, Pemberton Valley, Powell River and Squamish.

Table 4 below presents performance for the Municipal Systems Custom/Para Transit program for the year under review compared to prior years and the 2005/06 Service Plan.

Table 4

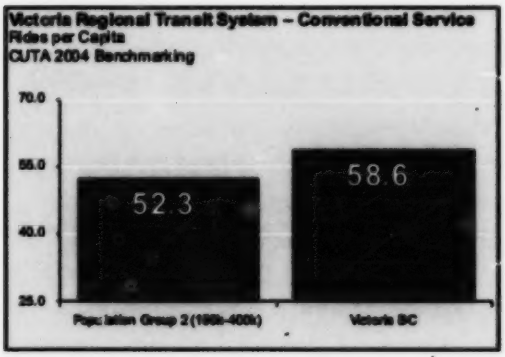
Municipal Systems Custom/Para Transit	2003/04 Actual	2004/05 Actual	**2005/06 Actual**	2005/06 Target	2006/07 Target	2007/08 Target
SERVICE EFFECTIVENESS						
Service hours (000s)	235	241	**247**	249	249	249
Revenue passengers (000s)	1,253	1,281	**1,374**	1,315	1,324	1,333
Van passengers (000s)	1,098	1,122	**1,219**	1,161	1,170	1,179
Van passengers per service hour	4.7	4.7	**4.9**	4.7	4.7	4.7
COST EFFICIENCY						
Operating cost recovery (van only)	16.8%	17.8%	**18.0%**	16.7%	16.5%	16.3%
Operating cost per service hour (van only)	$47.25	$47.50	**$49.47**	$48.02	$48.94	$49.87
Operating cost per revenue passenger	$9.51	$9.36	**$9.56**	$9.78	$9.89	$9.99

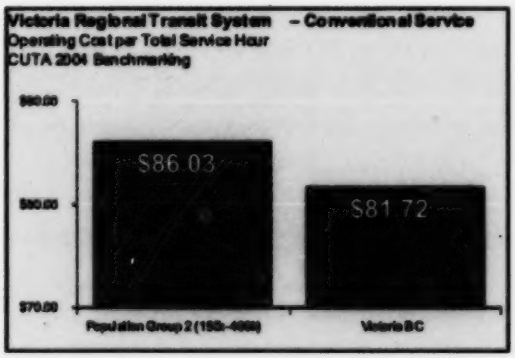
Service hours delivered were 0.8% below target but above last year's total hours by 2.5%. Van passengers carried per service hour (4.9) was above target and continues to represent one of the highest productivity rates for this kind of service in Canada. The van operating cost per hour was $49.47, above budget by 3%. The operating cost per passenger was 2% below target. Cost recovery was 7.7% above budget as a result of favourable passenger revenue received.

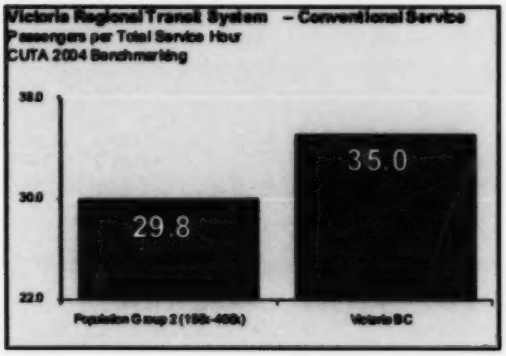
Comparison to Industry Benchmarks

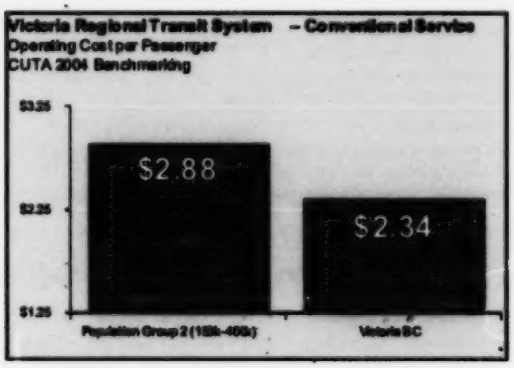
A recent review of the performance of the Victoria Regional Transit System and Municipal Systems Conventional Program provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association (CUTA). Performance of BC Transit's systems in 2004/05 is benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2004.

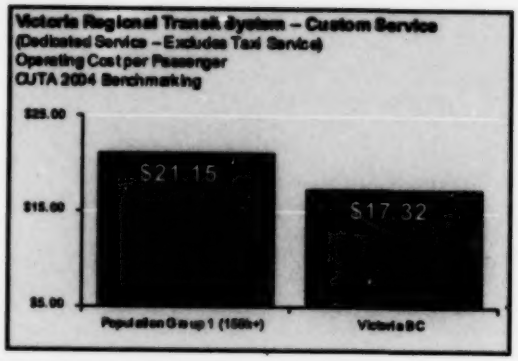
The Victoria Regional Transit System conventional service is compared with similar systems in the CUTA Urban Transit Population Group 2 (service area population 150,000-400,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area population greater than 150,000).

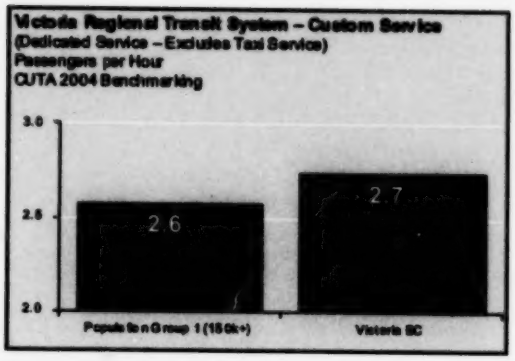




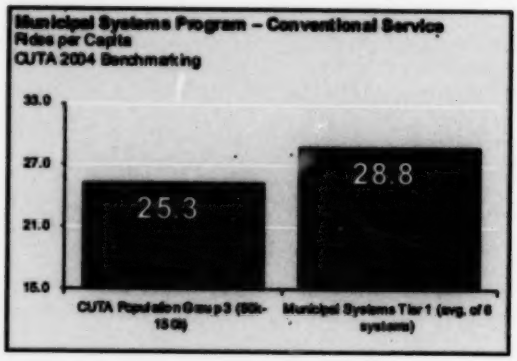


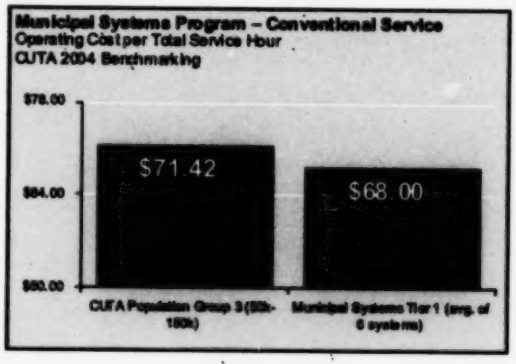


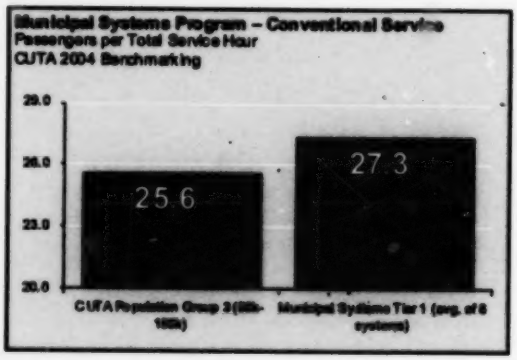


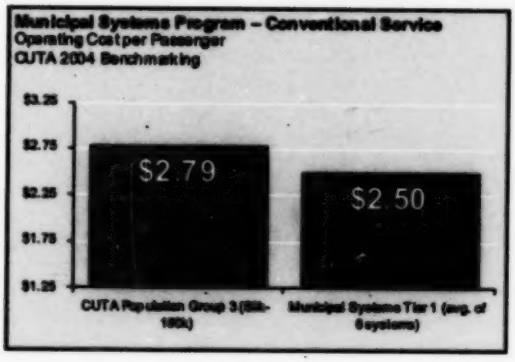


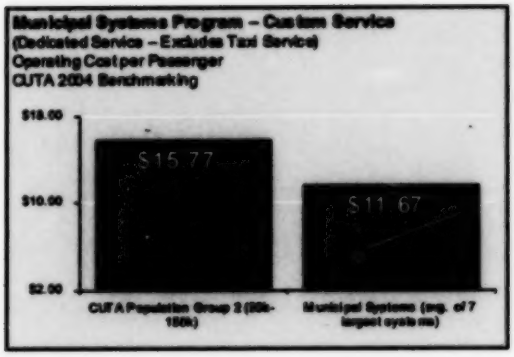
In the case of the Municipal Systems Program, Tier 1 conventional transit systems (those with service area populations over 50,000) are compared with the CUTA Urban Transit Population Group 3 (service area population 50,000-150,000). The Municipal Systems Program custom program averages the seven largest systems to compare with the CUTA Specialized Transit Population Group 2 (service area population 50,000-150,000).

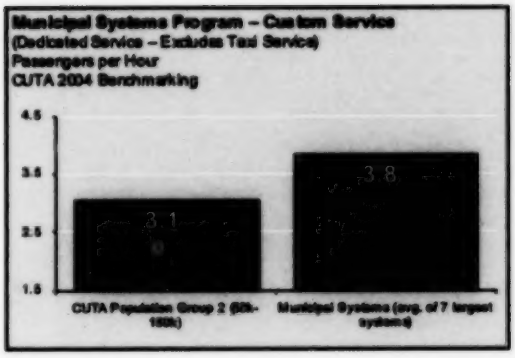









Municipal Systems Program – Custom Service
(Dedicated Service – Excludes Taxi Service)
Operating Cost per Passenger
CUTA 2004 Benchmarking
$18.00
$10.00
$2.00
$15.77
$11.67
CUTA Population Group 2 (50k-150k)
Municipal Systems (avg. of 7 largest systems)


Municipal Systems Program – Custom Service
(Dedicated Service – Excludes Taxi Service)
Passengers per Hour
CUTA 2004 Benchmarking
4.5
3.5
2.5
1.5
3.1
3.8
CUTA Population Group 2 (50k-150k)
Municipal Systems (avg. of 7 largest systems)

Throughout the year BC Transit's programs and services supported and linked to the priorities of the provincial government outlined by the Premier in the February 2005 Throne Speech. The Five Great Goals, and BC Transit's activities in support of these, are as follows:

- **To make B.C. the best-educated, most literate jurisdiction on the continent.**
  BC Transit provides necessary access to all levels of education and to job retraining in 50 communities.

- **To lead the way in North America in healthy living and physical fitness.**
  By reducing reliance on automobile travel, and serving community and sporting facilities, BC Transit contributes to a more healthy and active lifestyle.

- **To build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.**
  BC Transit's custom and paratransit programs, as well as its provision of increasingly accessible conventional services, provides essential access for seniors and people with mobility challenges to community activities, education, retraining and social and health services.

- **To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.**
  BC Transit fosters improved environmental quality by reducing traffic congestion, promoting options to driving, supporting regional growth strategies and participating in the early adoption of new environmentally-friendly technologies.

- **To create more jobs per capita than anywhere else in Canada.**
  BC Transit provides essential mobility for the labour force. It creates partnerships with employers, technology developers, and training institutions to support a healthy economy and a more effective transportation infrastructure.

Management Discussion and Analysis

Summary of Results

The following section summarizes BC Transit's financial results from management's perspective, and discusses the external business and policy environment, risks and opportunities that affected financial performance during the year.

BC Transit provides conventional transit and custom/paratransit in Victoria and the Municipal Systems Program. Table 5 below presents summary results for the year under review compared to the results of the prior four years. These results are compared to the 2005/06 Service Plan targets updated in September 2005.

Table 5

Figures in thousands, except FTEs	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target	2005/06 Variance
Revenue							
Contributions from the Province:							
Operating grants	44,835	44,458	46,269	46,531	**49,458**	47,758	(1,700)
Bonus incentive payment					**2,187**		(2,187)
Test fuel cell engine(s)	1,525	3,050					
Deferred revenue			(737)	571	**410**	400	(10)
Amortization of deferred capital contributions	16,857	17,997	19,335	21,046	**19,161**	19,554	393
Passenger & advertising revenue	39,349	40,385	41,510	44,996	**47,366**	46,188	(1,178)
Local taxation	27,338	29,148	30,647	30,877	**32,948**	37,339	4,391
Investment and other income	1,940	916	1,123	1,606	**1,817**	2,648	831
Gain/(Loss) on disposal of capital assets	(889)			103	**800**	-	(800)
	130,955	135,954	138,147	145,730	154,147	153,887	(260)
Expenditures							
Salaries and benefits	36,193	36,624	36,796	38,217	**42,454**	40,267	(2,187)
Operating costs	67,638	67,306	69,698	72,655	**79,168**	77,631	(1,537)
Amortization of capital assets	21,128	23,043	25,307	28,479	**25,361**	29,399	4,038
Interest expense	5,360	5,931	6,327	6,276	**6,486**	6,590	104
Fuel cell(s)	1,525	3,050					
	131,844	135,954	138,128	145,627	**153,469**	153,887	418
Other							
Gain / (Loss)	(889)	-	19	103	678	-	(678)
Capital expenditures	16,077	23,273	6,790	8,430	**21,413**	24,339	2,925
FTEs (as at year end)	599.0	585.6	562.2	578.5	**608.6**	596.5	(12)
Service hours	1,569	1,580	1,555	1,601	**1,654**	1,641	(13)
Passengers	35,097	37,190	37,489	38,609	**40,716**	38,714	2,002

Results of Operations and Variance Analysis (Table 5)

Revenue

Passenger and advertising revenue of $47.4 million for the year increased $2.4 million versus the prior year, and exceeded the Service Plan target by $1.2 million due to record ridership. Targeted tariff programs, route restructuring, new partnerships and rapidly increasing retail fuel costs combined to drive ridership up to record levels. In total, BC Transit ridership grew at a rate of 5.5% over 2004/05.

Expenditures

Expenditure increases over the prior year consisted primarily of fuel ($5.9 million), new service ($2.6 million) and bonus incentive payments ($2.2 million). Operating costs were $1.5 million higher than the September 2005/06 Service Plan, primarily as a result of fuel costs. As a result of contract hedging, fuel was purchased at $533,000 less than the posted rates for large commercial customers. Salaries and benefits exceeded the Service Plan target due to bonus incentive payments.

Amortization and interest charges were favourable to the Service Plan by $3.9 million as a result of later than planned in-service dates for new replacement vehicles, revised sinking fund projections and other project deferrals. These factors also contributed to a $2.9 million underage in capital expenditures.

Staff increases, as represented by FTE's (full-time equivalents) were a result of the provision of additional Community Bus service in Victoria, which is operated by BC Transit direct employees.

Flex-funded service included 58,000 service hours provided at a cost of $2.6 million. Demand for new service grew dramatically.

Balance Sheet (page 42)

The major balance sheet driver is the capital program. BC Transit's capital program in 2005/06 exceeded $20 million, primarily attributable to vehicle replacements. Capital assets net of accumulated amortization increased by $8.8 million. The province grants their share of capital expenditures, while the local partner's share is financed through long-term debt. Long term debt net of sinking funds was unchanged at $75 million. Net debt is forecast to remain at existing levels through 2008/09 due to scheduled repayments and sinking fund accumulation. Significant cash balances are attributable to the disposal of surplus assets and tax recoveries.

The company operates on a cost recovery basis. As a result, regular operations do not result in significant balance sheet changes aside from transitory working capital shifts.

Opportunity and Risk Factors

Fuel Costs

Fuel costs represent both a risk and an opportunity as they continue to drive ridership and costs.

Increased operating costs continue to strain funding sources. With the expiration of the two year fixed-price fuel contract on March 31 2005, BC Transit was exposed to precipitous increases in fuel costs. During the year, the average cost/litre increased from the contract price of 52c to 90c by year-end. With total fuel volume approaching 19 million litres, increased costs aggregated $5.9 million. If current fuel prices hold, total 2006/07 expenditures will exceed 2005/06 costs by $3.1 million.

With respect to addressing fuel price increases, BC Transit continues to employ a short to medium term hedging strategy. However, futures are moving up as fast as - or faster than - rack rates. The Corporation is also pursuing new buying opportunities. In addition, BC Transit has trained drivers in the Fuel Sense program, and is an industry-leader in exploring alternative energy technology. Nonetheless, all of these strategies combined will not fully mitigate the impact of increasing fuel costs in the short to medium term.

Finally, increased fuel costs could impact fuel tax collections for the Victoria Regional Transit Commission. However, year-to-date total fuel volumes sold in the Capital Regional District are only 1/2 of 1% below the prior year, indicating that so far, consumer demand has not been impaired by fuel costs.

Fleet

Fleet condition and capacity is an increasing concern. With the injection of New Deal money into the national bus market, it is anticipated that order lead times will increase, making it difficult for BC Transit to plan and execute flex-funded service expansions. The Corporation has adopted a contingent capital financing policy to ensure vehicles are on hand.

Vehicle maintenance focuses on safety. Non-essential procedures are deferred to conserve funds. In particular, fleet cosmetics such as paint and minor body repair have been deferred.

Benefits

Employee benefit rates remain a risk area owing to an aging work force, combined with increased benefit rates. Declining investment returns have already significantly increased pension costs.

Insurance

Fleet primary liability insurance costs have increased, reflecting a Province-wide trend to increased litigation and settlement costs. BC Transit is aggressively implementing training programs to address this and general safety. Insurance costs remain an ongoing risk particularly if there is a major incident involving a public transit system.

Contract Operations

In contract operations, the improvement in BC's economy resulted in more competitive markets. The net result was that contract labour rates, which had remained relatively flat through 2004/05, started to ramp up. In addition, the number of competitive bids received in response to transit system Request for Proposal's (RFP's) is declining, as contractors benefit from new business opportunities associated with the expansion of the British Columbia economy. Staff are reviewing RFP terms to investigate opportunities to increase competition.

Outlook

The demand for new transit service continues to grow. Recent studies in Victoria and the Municipal Systems program indicate that a 35% increase in service over the next five years could be required simply to keep pace with latent demand. Local partners express continued support for the transit program, and based on existing requests there is potential for up to nine new transit systems.

If fuel prices continue to escalate at current rates, there is also potential for even greater increases in ridership. To date, higher fuel costs have had a minor impact on fuel consumption rates measured in the Capital Regional District. However, further increases may start to influence consumer behavior, and lead to further demand. In short, fuel cost increases will affect transit demand and transit operations, and continue to present an ongoing funding challenge.

Improvement in the economy represents new ridership opportunities, as does the expanded focus on health and education stemming from the province's Five Great Goals. By the same token, economic trends pushing up costs and contributing to the current funding challenge at BC Transit.

In summary, the next two years combine the significant challenges of meeting demand for new transit service at a time of unprecedented cost pressures.

REPORT OF MANAGEMENT
Year ended March 31, 2006

The financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles consistently applied and appropriate in the circumstances. A precise determination of many assets and liabilities is dependent upon future events and, consequently, the preparation of periodic financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the financial statements and incorporate, within reasonable limits of materiality, all information available as at May 19, 2006.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The financial statements have been examined by KPMG LLP, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the financial statements in all material respects, present fairly the financial position, results of operations and cash flows in accordance with generally accepted accounting principles. Their report follows. The Board of Directors meets regularly with management and the external auditors to satisfy itself that the company's system of internal control is adequate, to ensure that responsibilities for financial reporting are being met, and to provide an opportunity for full and open access to the Board of Directors in respect to financial reporting matters.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Ron Drolet
Senior Vice President, Customer Service & Corporate Secretary

Steve New
Senior Vice President, Municipal Systems Program

Tony Sharp, CA
Vice President, Finance and Chief Financial Officer

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Board of Directors of
British Columbia Transit

We have audited the balance sheet of British Columbia Transit as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 19, 2006

BRITISH COLUMBIA TRANSIT

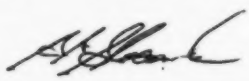
Balance Sheet

March 31, 2006 ($000)

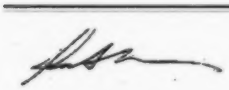
	2006	2005 (restated, note 13)
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 16,542	$ 15,690
Accounts receivable:		
Municipalities	5,634	4,831
Trade and other	6,440	3,089
Parts inventory	6,069	4,674
Prepaid expenditures	1,364	1,014
	36,049	29,298
Debt sinking funds (note 4)	25,215	21,059
Capital assets (note 5)	178,058	169,280
Capital assets under lease (notes 6 and 13)	916,423	931,680
Investment in Transportation Property and Casualty Company Inc.	20	20
	$ 1,155,765	$ 1,151,337
Liabilities		
Current liabilities:		
Accounts payable to Province of British Columbia	$ 51	$ 471
Accounts payable and accrued liabilities	25,414	23,067
Current portion of long-term debt	5,206	2,745
Current portion of obligations under capital leases	17	16
	30,688	26,299
Long-term debt (note 7)	100,425	95,942
Obligations under capital leases (note 8)	198	215
Deferred contributions (note 9)	13,961	10,373
Deferred capital contributions:		
Capital assets	80,915	74,382
Capital assets under lease (note 13)	855,376	870,270
	1,081,563	1,077,481
Net Assets	74,202	73,856
Commitments and contingent liability (note 12)		
	$ 1,155,765	$ 1,151,337

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA TRANSIT

Statement of Operations

Year ended March 31, 2006 ($000)

	2006	2005
Revenue:		
Operations	$ 47,366	$ 44,996
Investment and other income	1,748	1,486
	49,114	46,482
Expenditures:		
Operations and maintenance	110,901	100,625
Administration	8,822	8,451
Interest on long-term debt	6,486	6,276
Amortization of capital assets	10,464	12,686
Vehicle/property leases and taxes	1,832	1,831
	138,505	129,869
Recoveries:		
Contributions from the Province of British Columbia:		
Operating grants	49,867	47,102
Contract signing bonuses	2,188	-
Contributions from municipalities (note 9)	32,948	30,877
Amortization of deferred capital contributions - capital assets	4,266	5,185
	89,269	83,164
Expenditures from transit operations	(122)	(223)
Other:		
Amortization of capital assets under lease	(14,895)	(15,861)
Amortization of deferred capital contributions - capital assets under lease	14,895	15,861
Gain on disposal of capital assets	800	103
	800	103
Net revenue (expenditures) for the year	$ 678	$ (120)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Changes in Net Assets

Year ended March 31, 2006 ($000)

	General	Investment in capital assets	Total 2006	Total 2005
Balance, beginning of year (restated, note 13)	$ 985	$ 72,871	$ 73,856	$ 76,621
Net revenue (expenditures) for the year	(122)	800	678	(120)
Return of contribution to the Province	-	(332)	(332)	(2,645)
Internal transfer	122	(122)	-	-
Balance, end of year	$ 985	$ 73,217	$ 74,202	$ 73,856

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Cash Flows

Year ended March 31, 2006 ($000)

	2006	2005
Cash provided by (used for):		
Operations:		
Net revenue (expenditures) for the year	$ 678	$ (120)
Items not involving cash:		
Amortization of capital assets	10,464	12,686
Amortization of capital assets under lease	14,895	15,861
Amortization of deferred capital contributions	(19,161)	(21,046)
Gain on disposal of capital assets	(800)	(103)
Net changes in non-cash operating working capital:		
Accounts receivable	(4,154)	1,595
Parts inventory	(1,395)	(715)
Prepaid expenditures	(350)	166
Accounts payable to Province of British Columbia	(420)	345
Accounts payable and accrued liabilities	2,347	6,732
	(3,972)	8,123
	2,104	15,401
Investing:		
Proceeds from sale of capital assets	3,333	2,645
Additions to capital assets	(21,413)	(8,212)
	(18,080)	(5,567)
Financing:		
Repayment to the Province of British Columbia of proceeds on disposal of contributed land	(332)	(2,645)
Increase in deferred contributions	3,588	1,341
Capital lease payments	(16)	(14)
Increase (decrease) in notes payable	-	(3,487)
Increase in long-term debt	6,944	3,483
Increase in debt sinking funds	(4,156)	(5,062)
Deferred capital contributions received	10,800	3,795
	16,828	(2,589)
Increase in cash and cash equivalents	852	7,245
Cash and cash equivalents, beginning of year	15,690	8,445
Cash and cash equivalents, end of year	$ 16,542	$ 15,690

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Financial Statements

Year ended March 31, 2006 ($000)

1. Purpose:

British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1998, to operate the urban transit systems in the Province of British Columbia outside of the Greater Vancouver Regional service area. In 2006, BC Transit recovered 46.50% (2005 - 46.85%) of its expenditures from the Province of British Columbia with the balance from transit operations and municipalities.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in the funds are set out in note 10.

2. Summary of significant accounting policies:

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The significant accounting policies are set out hereunder:

(a) Parts inventory:

Parts inventory is valued at the lower of cost on a first-in first-out basis, and replacement cost. Inventories are recorded net of any obsolescence provisions.

(b) Debt sinking funds:

Debt sinking funds, consisting of pooled investment portfolios and Canada, provincial government and Crown corporation bonds, are recorded at the lower of amortized cost or market, with any premium or discount on purchase being amortized over the term to maturity of each investment.

(c) Capital assets:

(i) All capital assets, except those noted in (ii), (iii) and (iv), are recorded at cost, including capitalized interest as described in note 2(e).

(ii) Capital assets transferred from the Province of British Columbia are recorded at their appraised value. These appraisals were carried out at various dates between June 30, 1979 and August 18, 1987.

(iii) Capital assets acquired from BC Hydro are recorded at their appraised value. These appraisals were carried out at various dates between March 1, 1980 and April 1, 1982.

(iv) Amortization is provided on the basis that results in a matching of these charges with BC Transit's statutory power to recover the cost of the related assets. Contributed assets are not subject to recovery and are amortized over their estimated useful lives. All assets are amortized by the sinking fund method over a period not exceeding their estimated remaining useful lives. Land is not subject to amortization. The assessment of net recoverable amounts is determined by applying the applicable deferred capital contributions to capital costs.

2. Summary of significant accounting policies (continued):

(d) Investment in Transportation Property and Casualty Company Inc.:

BC Transit's 10% interest in Transportation Property and Casualty Company Inc. is recorded on the cost basis of accounting.

(e) Capitalization of interest:

Interest incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes is capitalized. In 2006, interest of $152.6 was capitalized (2005 - $16.0).

(f) Amortization of bond premiums and discounts:

Bond premiums and discounts are amortized on a straight-line basis over the term of the debt.

(g) Revenue recognition:

All sources of revenue are recognized on the accrual basis.

BC Transit follows the deferral method of accounting for contributions. Contributions from third parties for defined purposes are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(h) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by prepaid capital advances from the Province. These prepaid capital advances are recorded by BC Transit as deferred capital contributions and are recognized in the statements of operations and accumulated surplus on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

2. Summary of significant accounting policies (continued):

(i) Employee future benefits:

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan with over 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation was at March 31, 2005, and disclosed a $767 million deficit for funding purposes ($546 million surplus as at the previous valuation). The actuary does not attribute portions of the deficit to individual employers. Contributions to the plan in 2006 by BC Transit totaled approximately $2,049 (2005 - $1,997).

(j) Financial instruments:

BC Transit is party to certain derivative financial instruments, principally interest rate swap contracts (used to manage the exposure to interest rates and cash flow risk) and forward foreign exchange contracts (used to manage foreign currency exposures on foreign currency debt). These instruments are not recognized in the financial statements on inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt. Gains and losses on forward foreign exchange contracts are recognized in revenues in the same period as the foreign currency revenues to which they relate.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported periods. Significant areas requiring the use of management estimates include the determination of amortization periods and certain accrued liabilities. Actual results could differ from the estimates. Adjustments, if any, are reflected in operations in the period of settlement.

(l) Income and capital taxes:

BC Transit is exempt from Canadian federal and British Columbia provincial income and capital taxes.

2. Summary of significant accounting policies (continued):

(m) Impairment of long-lived assets:

BC Transit monitors the recoverability of long-lived assets, including capital assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. BC Transit reviews factors such as current market value, future asset utilization and business climate and compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the excess.

(n) Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

3. Cash and cash equivalents:

BC Transit considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

(a) Major components of cash and cash equivalents are as follows:

	2006	2005
Cash	$ 1,942	$ 7,300
Short-term investments	14,600	8,390
	$ 16,542	$ 15,690

(b) Supplemental cash flow information:

	2006	2005
Cash paid during the year for:		
Interest on long-term debt and notes payable	$ 6,463	$ 6,183
Cash received:		
Interest on investments	1,733	1,352

4. Debt sinking funds:

Investments held in the sinking funds, including interest earned, are to be used to repay the related debt at maturity.

Sinking funds and related investments are managed by the British Columbia Investment Management Corporation ("BCIMC"). Investment management fees totaling $5.7 (2005 - $3.4) were paid directly from individual portfolios to BCIMC.

5. Capital assets:

March 31, 2006	Carrying value	Accumulated depreciation and amortization	Net book value
Land	$ 5,508	$ -	$ 5,508
Land improvements	1,955	1,169	786
Buildings	21,960	7,808	14,152
Revenue vehicles	205,716	59,743	145,973
Revenue vehicles under capital leases	294	79	215
Equipment	13,949	6,168	7,781
Capital projects in progress	3,643	-	3,643
	$ 253,025	$ 74,967	$ 178,058

March 31, 2005	Carrying value	Accumulated depreciation and amortization	Net book value
Land	$ 6,088	$ -	$ 6,088
Land improvements	1,962	1,045	917
Buildings	23,484	7,168	16,316
Revenue vehicles	188,650	54,000	134,650
Revenue vehicles under capital leases	294	64	230
Equipment	13,134	4,452	8,682
Capital projects in progress	2,397	-	2,397
	$ 236,009	$ 66,729	$ 169,280

6. Capital assets under lease:

These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the Greater Vancouver Transportation Authority ("GVTA") for their use pursuant to an Order in Council and operating lease, and represents one of the Province's contributions toward public transportation in the Greater Vancouver Regional District.

The operating lease arrangements with GVTA are for one dollar per year under an initial 15-year term commencing April 1, 1999, with additional five-year renewal periods upon the agreement of BC Transit and the GVTA. Cost information of these assets is as follows:

March 31, 2006	Carrying value	Accumulated amortization	Net book value
SkyTrain	$ 1,205,324	$ 395,675	$ 809,649
West Coast Express	128,848	22,074	106,774
	$ 1,334,172	$ 417,749	$ 916,423

March 31, 2005	Carrying value	Accumulated amortization	Net book value
SkyTrain	$ 1,205,657	$ 383,558	$ 822,099
West Coast Express	128,848	19,267	109,581
	$ 1,334,505	$ 402,825	$ 931,680

7. Long-term debt:

	2006	2005
Sinking fund bonds, weighted average interest rate of 6.2%, maturing at various dates from 2006 to 2023, amortized from 10 to 20 years	$ 91,900	$ 84,965
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 6.1%, maturing at various dates from 2009 to 2010, amortized over 12 years	13,727	13,727
	105,627	98,692
Add: unamortized bond premium	88	103
Less: unamortized bond discount	(84)	(108)
	105,631	98,687
Less current portion	(5,206)	(2,745)
	$ 100,425	$ 95,942

The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. BC Transit paid fees totaling $17 (2005 - $20) in the year for these fiscal agent services.

Long-term debt payments in each of the next five years are as follows:

2007	$ 5,206
2008	10,200
2009	-
2010	9,829
2011	8,363
Thereafter	72,033

8. Obligations under capital leases:

BC Transit leases equipment under leases which are classified as capital leases. The future minimum annual lease payments are as follows:

2007	$	34
2008		34
2009		34
2010		34
2011		34
Thereafter		132
		302
Less amount representing interest at 8.36%		87
Present value of capital lease obligations		215
Less current portion		17
	$	198

Interest incurred during the year with respect to obligations under capital leases included in other interest expenditures amounted to $18 (2005 - $20).

9. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from municipal partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

	2006	2005
Balance, beginning of year	$ 10,373	$ 9,032
Contributions from municipalities - Victoria	17,346	15,663
Contributions from municipalities - other municipalities	19,190	16,555
Contributions from municipalities expended	(32,948)	(30,877)
Balance, end of year	$ 13,961	$ 10,373

10. Victoria Regional Transit Fund:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the financial statements. The fund balance and transactions during the year are as follows:

	2006
Fund balance, beginning of year	$ 2,861
GST rebate received	224
Revenue:	
Fuel tax	7,856
Property tax	9,639
Interest earned	121
Contributions	(17,346)
Fund balance, end of year	$ 3,355

11. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The estimated fair value of obligations under capital leases approximates their carrying value as they bear interest at rates approximating current market rates. The fair values of other financial assets and liabilities included in the balance sheets are as follows:

March 31, 2006	Carrying amount	Fair value
Debt sinking funds	$ 25,215	$ 27,362
Long-term debt (including related foreign exchange contracts and interest rate swaps)	105,631	119,641

March 31, 2005	Carrying amount	Fair value
Debt sinking funds	$ 21,059	$ 22,615
Long-term debt (including related foreign exchange contracts and interest rate swaps)	98,687	112,507

11. Financial instruments (continued):

(a) Fair value (continued):

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Concentration of credit risk:

Financial instruments that potentially subject BC Transit to significant concentrations of credit risk consist primarily of cash equivalents and trade accounts receivable. To reduce credit risk, cash equivalents are only held at major financial institutions and management performs ongoing credit evaluations of its customers' financial condition. BC Transit maintains reserves for potential credit losses.

12. Commitments and contingent liability:

(a) Operating lease payments:

BC Transit is committed to make future minimum payments under operating leases for the next five years as follows:

2007	$ 1,120
2008	1,211
2009	1,300
2010	1,302
2011	1,303

These expenditures will be recovered from provincial and municipal sources pursuant to cost-sharing agreements.

(b) Contingent liability:

BC Transit is party to an agency agreement with Rapid Transit Project 2000 Ltd. ("RTP 2000") for purposes of the expropriation of land under the Expropriation Act. A number of previous owners of expropriated land have challenged the expropriated value. Any differences between the amounts paid and subsequently reassessed will be recorded by RTP 2000 in the period of assessment.

Management is of the opinion that the indemnity provisions of the agency agreement will wholly indemnify BC Transit for any costs incurred as a result of these claims and potential claims. No provision has been made in the financial statements related to this matter.

12. Commitments and contingent liability (continued):

(c) Fuel management:

BC Transit manages its exposure to fuel price volatility by entering into purchase commitments with Petro Canada. These arrangements are used solely for the purpose of reducing fuel price risk and not for generating trading profits. Gains and losses resulting from the contracts are recognized as a component of fuel expense.

13. Prior period adjustment:

During the year, BC Transit received new information regarding the allocation of SkyTrain land and depreciable assets to their related liability and equity accounts. Accordingly, the amortization of deferred capital contributions and net assets was adjusted as at March 31, 2004 to effect the revised allocation. Concurrently, both the asset accounts and the related deferred capital contribution account were corrected to reverse excess amortization of land booked in the intervening period. In summary, a correcting adjustment was made as at March 31, 2004 to increase capital assets under lease by $5,585, increase deferred capital contributions – capital assets under lease by $8,936 and reduce net assets – investment in capital assets by $3,351.

A1
BC Transit Senior Management Team and Contact Information

Senior Management Team

Ron Drolet
Senior Vice President
Customer Service &
Corporate Secretary

Steve New
Senior Vice President
Municipal Systems Program

Tony Sharp
Vice President
Finance & CFO

Susanne Fossey
Vice President
Human Resources

Ron Harmer
Vice President
Technical Services

Contact Information:
For further information about BC Transit contact our head office:

BC Transit
520 Gorge Road East
PO Box 610
Victoria, B.C. V8W 2P3

Telephone: (250) 385-2551
Fax: (250) 995-5639
Web: www.bctransit.com

BC Transit's Annual Reports and Three Year Service Plans are available on the BC Transit website at **www.bctransit.com.**

A2 Glossary

Accelerated Maintenance Program – A program of major overhauls to reduce vehicle life-cycle costs.

Accessible Buses – Accessible buses are able to accommodate riders who have wheelchairs or scooters. Accessible bus stops are clearly marked with the international wheelchair symbol, and routes that are fully accessible are indicated in the Rider's Guides.

American Passenger Transportation Association – APTA is the professional association for urban transit providers in the United States and the leading force in advancing public transportation.

Annual Operating Agreement – A three-party agreement between BC Transit, the municipality, and the operating company which allows for the delivery of the local transit service and defines total costs and the responsibility of each party.

British Columbia Transit – A Crown corporation created by the Provincial Legislature under the terms of the British Columbia Transit Act to ensure a consistent and comprehensive transit policy throughout the province.

British Columbia Transit Act – This Act established BC Transit with a Board of Directors and designated the Board responsible for participating with local government in the establishment of transit policy as well as coordination of the planning and funding of the various municipal transit systems in the province.

British Columbia Transit Board of Directors – A seven-member Board of Directors, appointed by the province, governs BC Transit. The BC Transit Act requires that four of the Board members be municipally elected representatives.

Canadian Urban Transit Association – CUTA is the association for providers of urban transit services and the voice of the public transit industry in Canada.

Capital Costs – The sum of money paid for facilities and equipment (including taxes and interest charges) with a service life exceeding one year.

Conventional Transit – Transit service using regularly scheduled, fixed-route service, which is operating according to published route maps and timetables.

Cost-Sharing Agreement – An agreement between BC Transit and the municipality for the provision of transit service or the development of a transit study.

Custom Transit – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Also known as handyDART, which stands for handy Dial-a-Ride-Transit. Vehicles are vans or mini-buses that can accommodate wheelchairs and scooters. Riders must be registered with the handyDART office before they can use the service.

Double Deck Buses – BC Transit's Trident double deck buses were custom designed by Dennis Specialist Vehicles of Surrey, England. They are 12 metres (40 feet) long, 2.5 metres (eight feet) wide, and 4.3 metres (14 feet) tall and can carry 110 passengers. Compared to a single deck, 12-metre bus, the Trident double deck provides a 120 per cent increase in carrying capacity at a capital cost that is only 40 per cent higher. The Trident is low floor and fully accessible for wheelchairs and scooters.

Effectiveness – Effectiveness is a measure of the ability of the transit system to carry out the required services.

Efficiency – Efficiency is a measure of the ability of a transit system to provide a service within a minimum of expense or resource input.

Darts – Compact, mid-size buses that are ideal for smaller communities or neighbourhood routes as they are less noisy, more maneuverable, and more economical. The Darts, also known as Dennis Darts, come in two lengths – 10.6 m (35 feet) and 9.1 m (30 feet). All the Darts are low floor for easy boarding and accessible to wheelchairs and scooters.

Feasibility Study – Normally a two-phase study consisting of a Transit Concept Plan and a Transit Service Plan. The study is performed by BC Transit under the terms of a Cost Sharing Agreement between BC Transit and the municipality.

handyDART – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Riders must be registered with the handyDART office before they can use the service. Also known as custom transit, handyDART stands for handy Dial-a-Ride-Transit. Vehicles are vans or mini-buses that can accommodate wheelchairs and scooters.

Low-Floor Buses – Are designed so the entire floor is close to the pavement with no entry steps for easy boarding. For passengers who use walkers, crutches or who have difficulty stepping up, they have a kneeling feature that lowers the entry level even further. All low-floor buses have a ramp for wheelchair and scooter access.

Media Trade – Providing space in one advertising medium in exchange for access to another, instead of purchasing advertisements. For a transit system this means providing free access to advertising space in and on buses in exchange for use of radio spots or newspaper ad space. This provides opportunity to continue to inform customers with reduced marketing expenditure and limited or no loss of revenue.

Mode – A form of travel, e.g., transit, pedestrian, bicycle, automobile, or mixed mode such as bicycle and transit.

Municipal Systems Program – BC Transit is responsible for 52 municipal transit systems throughout British Columbia under the Municipal Systems Program. BC Transit is also responsible for the Victoria Regional Transit System which is separate from the Municipal Systems Program.

Municipal Transit System – A transit system operating or being studied in a community, excluding Vancouver or Victoria.

Municipality – For the purpose of agreements under the British Columbia Transit Act, municipalities are defined as cities, townships, villages, or regional districts, or a combination of these, involved in the operation, funding or feasibility assessment of a transit system.

Operating Company – The company selected by BC Transit and the municipality to operate the transit system under the terms of the Transit Service Agreement and the Annual Operating Agreement.

Operating Expenses – The sum of all costs associated with the operation, administration and maintenance of the transit system during a specified period, excluding depreciation and interest paid on loans for capital outlays.

Paratransit – Bus or van service in towns and rural areas where the population density does not warrant conventional bus service. More flexible than conventional fixed route transit, paratransit typically offers both custom door-to-door and fixed route service, with a flexible timetable to accommodate route deviation.

Peak Period (or Hours) – That period of time during a typical weekday in which the maximum amount of travel occurs. Usually a morning and evening peak are observed as a result of work and school related trips. The opposite of peak period is base or off peak period.

Taxi Saver Program – "Taxi Saver" is the name of a discounted coupon program which provides registered handyDART clients with up to $60 of taxi coupons at half price, valid for use in local taxi services. BC Transit has established agreements with local taxi firms in more than a dozen communities to process the coupons and top up payment to the meter rate.

Tiers - Groupings of Municipal Systems transit systems based on population size. Detail in Appendix A3.

Explanation of Statistics and Performance Measures

Statistics Statistics include operational outputs and transit service area data. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost is the sum of all costs associated with the administration, operation and maintenance of the transit system during a specified period excluding depreciation and interest paid on loans for capital outlays.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Performance Measures Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Operating Cost Recovery reflects annual operating revenue divided by total operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and effectiveness in services that transit markets.

Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

A3 List of Municipal Systems Program Transit Systems by Tiers

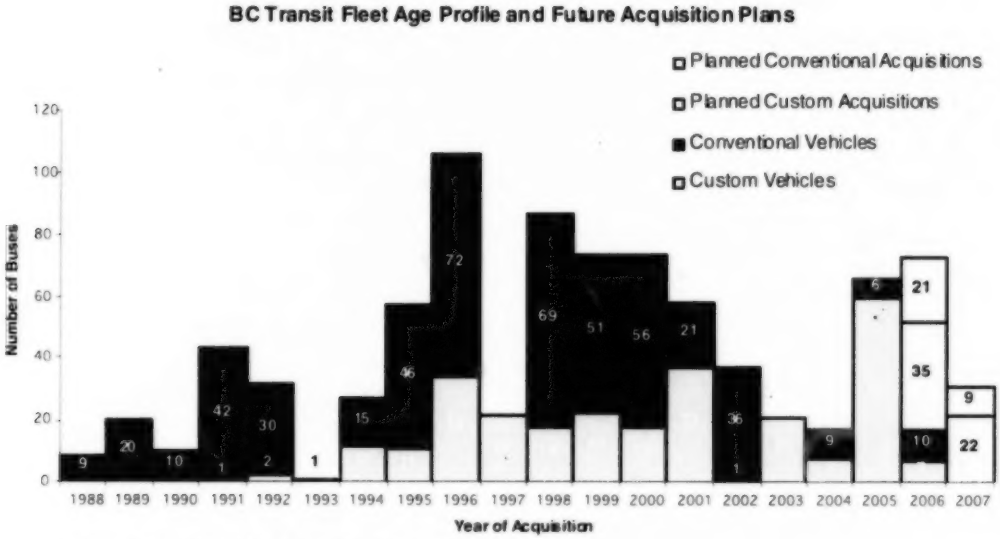
Conventional	Custom	Paratransit
Tier 1*		
Central Fraser Valley	Central Fraser Valley	Comox Valley
Kamloops	Kamloops	Cowichan Valley
Kelowna Regional	Kelowna Regional	
Nanaimo Regional	Nanaimo Regional	
Prince George	Prince George	
Whistler		
Tier 2**		
Campbell River	Campbell River	
Chilliwack	Chilliwack	
Comox Valley	Penticton	
Cowichan Valley	Vernon Regional	
Penticton		
Vernon Regional		
Tier 3***		
Cranbrook	Alberni-Clayouquot	Agassiz-Harrison
Dawson Creek	Cranbrook	Boundary
Fort St. John	Kitimat	Castlegar Regional
Kitimat	Kootenay Boundary	Clearwater & Area
Kootenay Boundary	Prince Rupert	Creston Valley
Nelson		Fort St. John
Port Alberni		Hazeltons' Regional
Powell River		Kaslo
Prince Rupert		Kimberley
Squamish		Nakusp
Sunshine Coast		Nelson & Area
Terrace Regional		Nelson – Slocan Valley
		North Okanagan
		Okanagan-Similkameen
		Osoyoos
		100 Mile House & Area
		Pemberton Valley
		Port Edward
		Powell River
		Princeton & Area
		Quesnel
		Revelstoke
		Shuswap
		Smithers & District
		Squamish
		Summerland
		Sunshine Coast
		Terrace Regional
		Williams Lake

*Tier 1:
Communities of 50,000+ population served, with the exception of Whistler

**Tier 2:
Communities of 20,000 - 50,000 population served

***Tier 3:
Communities of less than 20,000 population served

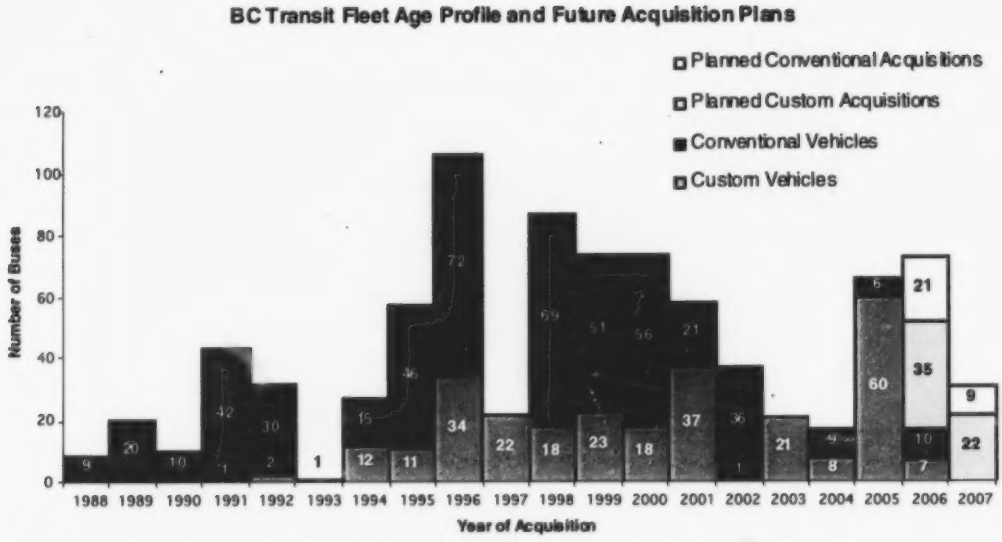
A4 Fleet Profile



- This plan currently matches the Long Term Capital Plan.
- In addition to the in-service fleet profile above, BC Transit maintains a contingency fleet of up to 15 useful vehicles for major campaigns, repairs or event emergencies.

A5 Map of BC Transit Systems

A4 Fleet Profile



- This plan currently matches the Long Term Capital Plan.
- In addition to the in-service fleet profile above, BC Transit maintains a contingency fleet of up to 15 useful vehicles for major campaigns, repairs or event emergencies.

A5 Map of BC Transit Systems

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